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SUBJECT: KAZAKHSTAN - TWO STEPS FORWARD, ONE STEP BACK ON DOING BUSINESS

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#### Summary

¶1. The 2009 World Bank Doing Business report was published on September 10. It ranks Kazakhstan as the 70th out of 181 countries regarding the ease of doing business, a 10-place improvement from its revised rank of 80th place in the 2008 report. Kazakhstan made major gains in two specific Doing Business indicators -- "registering property" and "getting credit" -- but took a step backwards in several other indicators.

#### Background

¶2. Published annually by IFC and the World Bank, Doing Business assesses the ease of doing business in a country based on 10 factors: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business. The report has both rankings and absolute values. Rankings are a relative measure: if a country is reforming, but its pace of reforms is slower than that of other countries, its ranking may still deteriorate despite improvements. Absolute values (for example, the number of days or procedures required to obtain a construction permit) help provide a more objective picture of the situation within a country.

¶3. Published for the sixth time, the report has become increasingly recognized as a tool to compare a country's position in the above-mentioned spheres against other countries, as well as against its own performance in the past. Moreover, the report helps governments set priority areas that need reforms most, and helps streamline these reforms along lines of improving specific Doing Business indicators. USAID closely looks at the report, since Doing Business figures serve as indicators for several USAID projects, including BEI and RTLC, and for the U.S.-Kazakhstan Program for Economic Development (PED).

#### 2009 Results

¶4. The greatest improvement for Kazakhstan in the 2009 Doing Business report was in the "registering property" indicator, with Kazakhstan's ranking improving from 77th to 25th place, or by 52 places. This improvement was the result of streamlining the registration process and reducing fees. Kazakhstan also showed significant improvement in the "getting credit" indicator, with its ranking improving from 61st to 43rd place, or by 18 places. This was the result of increased credit bureau coverage and improved access to credit information. The first credit bureau in Kazakhstan was created with USAID assistance and continues to be a valuable partner for USAID projects in improving access to credit information.

¶5. For Kazakhstan, the 2009 rankings and revised 2008 rankings for each Doing Business indicator are as follows:

Doing Business - 2009: 70, 2008: 80, Change: +10  
Starting a Business - 2009: 78, 2008: 61, Change: -17  
Construction Permits - 2009: 175, 2008: 176, Change: +1  
Employing Workers - 2009: 29; 2008: 23, Change: -6  
Registering Property - 2009: 25, 2008: 77, Change: +52  
Getting Credit - 2009: 43, 2008: 61, Change: +18  
Protecting Investors - 2009: 53, 2008: 49, Change: -4  
Paying Taxes - 2009: 49, 2008: 47, Change: -2  
Trading Across Borders - 2009: 180, 2008: 181, Change: +1  
Enforcing Contracts - 2009: 28, 2008: 28, Change: 0  
Closing a Business - 2009: 100, 2008: 103, Change: +3

¶6. Regarding the decline in the "employing workers" indicator, the 2007 labor law was cited as a negative reform which makes it more difficult to fire workers by forcing employers to reassign a worker before firing the worker. While the ranking changes reflect a comparison to other countries, changes in absolute values help confirm an improvement in the overall business environment in Kazakhstan. For example, the costs, relative to average annual income, to start a business and execute a construction project in Kazakhstan decreased by 32% over the 2008 Doing Business report.

#### Additional Reforms

¶7. Given the World Bank's survey and analysis cycle, additional reforms achieved in 2008 are expected to be reflected in future reports showing additional improvements in a number of indicators. The government of Kazakhstan is expected to meet with an upcoming Doing Business mission to the region, with the support of USAID, in order to strengthen the relationship between Kazakhstan and the Doing Business team. This should facilitate increased accuracy of the Doing Business report and more rapid inclusion of reforms in future publications.

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